

FINANCIAL STATEMENTS OF

THE CMAW BENEFIT PLAN TRUST FUND

June 30, 2017



d'Abadie Moody inc.



INDEPENDENT AUDITOR'S REPORT

To the Trustees of
The CMAW Benefit Plan Trust Fund

We have audited the accompanying financial statements of The CMAW Benefit Plan Trust Fund, which comprise the statement of financial position as at June 30, 2017, and the statement of changes in net assets and net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



INDEPENDENT AUDITOR'S REPORT, continued

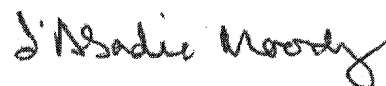
Basis for Qualified Opinion

The CMAW Benefit Plan Trust Fund derives a material amount of contributions revenue from participating employers. We were not able to obtain sufficient appropriate audit evidence relating to the completeness of the reported amounts for contributions receivable, contributions revenue, revenue in excess of expenditure and changes to net assets because employers' records were not made available for our examination. In addition, the former Administrator of the fund was unable to provide adequate documentation support relating to funds collected from participating employers and transferred to other entities. We were not able to obtain sufficient appropriate audit evidence relating to liabilities and contributions revenue, revenue in excess of expenditures and changes to net assets. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at June 30, 2017 and the results of its operations for the year then ended in accordance with Canadian accounting standards for pension plans.

Langley, British Columbia
December 11, 2018



Chartered Professional Accountants

THE CMAW BENEFIT PLAN TRUST FUND

STATEMENT OF FINANCIAL POSITION

As at June 30, 2017

	2017	2016
ASSETS		
Current		
Cash and cash equivalents	\$ 2,453,477	\$ 2,072,114
Investments (Note 3)	13,573,978	13,198,480
Contributions receivable	739,781	1,576,359
Other receivables	20,135	29,161
Prepaid expenses	2,417	2,417
Funds on deposit (Note 4)	771,500	539,800
	<u>\$ 17,561,288</u>	<u>\$ 17,418,331</u>
LIABILITIES		
Current		
Accounts payable and accrued expenses (Note 6)	\$ 2,087,014	\$ 2,174,480
Reserve for unpaid claims (Note 7)	465,000	315,000
	<u>2,552,014</u>	<u>2,489,480</u>
Reserve for future benefits (Note 8)	<u>5,880,000</u>	<u>4,245,000</u>
	8,432,014	6,734,480
NET ASSETS		
NET ASSETS AVAILABLE FOR BENEFITS	<u>9,129,274</u>	<u>10,683,851</u>
	<u>\$ 17,561,288</u>	<u>\$ 17,418,331</u>

Approved by the board

Trustee

Trustee

See accompanying notes to the financial statements



THE CMAW BENEFIT PLAN TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS AND NET ASSETS
Year ended June 30, 2017

	2017	2016
REVENUES		
Contributions	\$ 7,515,267	\$ 7,062,493
Investment income	469,525	744,014
Unrealized gains or losses on investments	(84,444)	(476,181)
	<u>7,900,348</u>	<u>7,330,326</u>
EXPENDITURES		
Self-insurance payments		
Benefits - Bereavement	25,809	34,518
Benefits - Dental	2,596,025	2,096,775
Benefits - Drugs	1,384,833	973,908
Benefits - Employee assistance	44,232	40,666
Benefits - Extended health	1,114,008	523,460
Benefits - MSP	8,463	10,967
Benefits - Travel assistance	13,942	20,295
Benefits - Vision	540,883	371,166
Benefits - Wage indemnity	303,656	329,947
Benefits - Best doctors	25,586	25,420
Change in reserve for unpaid claims	150,000	(142,234)
	<u>6,207,437</u>	<u>4,284,888</u>
Premiums to insurance carriers		
Premiums - AD&D and EHB stop loss	62,316	63,375
Premiums - Long-term disability	713,182	585,054
Premiums - Life insurance	324,036	276,722
	<u>1,099,534</u>	<u>925,151</u>
Future benefits		
Change in reserve for future benefits	1,635,000	118,827

See accompanying notes to the financial statements



THE CMAW BENEFIT PLAN TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS AND NET ASSETS,
continued
Year ended June 30, 2017

	2017	2016
General and administration		
Administration	163,766	140,935
Audit	15,850	44,066
Bank charges	6,978	2,452
Benefit counsel fees	147,603	63,657
Insurance	5,800	3,383
Investment management fees	38,821	36,233
Legal fees	53,064	55,879
Office and miscellaneous	3,789	26,734
Rent	-	6,474
Trustee conferences and meetings	52,958	53,862
Website and IT support	24,325	71,654
	512,954	505,329
	9,454,925	5,834,195
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	(1,554,577)	1,496,131
TRANSFER OF CARPENTRY WORKERS' BENEFIT PLAN OF BC	-	5,234,908
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(1,554,577)	6,731,039
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	10,683,851	3,952,812
NET ASSETS AVAILABLE FOR BENEFITS, end of year	\$ 9,129,274	\$ 10,683,851

See accompanying notes to the financial statements



THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

1. Nature of operations

The CMAW Benefit Plan Trust Fund (the "Fund") provides health and insurance benefits to the participating members of Construction, Maintenance and Allied Workers Canada ("CMAW") and operates from funds primarily contributed by employers under collective bargaining agreements. Its affairs are administered by trustees appointed by the members.

The Fund was established with an effective date of March 19, 2012. On July 1, 2015, the Fund was consolidated with the Carpentry Workers' Benefit Plan of BC and continued as the CMAW Benefit Plan Trust Fund under an amended and restated agreement dated July 1, 2015. All assets, liabilities and membership entitlement for the predecessor plans were combined into the New Fund effective July 1, 2015. Changes to member benefits are documented under the amended and restated agreement.

The Fund is an hour bank plan. Each employer contributes to the Fund at the rate of contribution specified in the collective agreement. Employers report members' worked hours and hours are accumulated in members' hour bank. Each month hours are withdrawn from individual member's hour bank for coverage and each member may accumulate up to a maximum hour of coverage in advance to be drawn upon. Individual members receive self-payment notices as to the amount required to maintain coverage when hour bank decreases below monthly coverage hours.

Effective March 1, 2017, a standard rate of \$2.35 per hour was used to pro-rate remitted contributions for all members and credited hours are accumulated in individual member's hour bank. Each month 110 hours are withdrawn from individual member's hour bank for coverage and each member may accumulate up to 1,320 hours of coverage in advance.

On October 1, 2017, Industrial Carpenters' Benefit Plan (the "Industrial Plan") was merged into the Fund. All assets, liabilities and membership entitlements for the Industrial Plan were combined into the Fund effective October 1, 2017.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. The significant policies are detailed as follows:

(a) Cash equivalents

Cash equivalents consist principally of money market funds and other highly liquid interest-bearing instruments with original maturities of three months or less.

(b) Investments

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values for investments are determined using the following methods:

[i] Short-term notes

Short-term notes are stated at cost, which approximates fair value.

[ii] Pooled equity funds

Pooled fund units are valued based on their trading net asset values at the reporting date. Publicly traded investments held in pooled equity funds are valued at closing market prices as listed on an appropriate stock exchange or as provided by the fund's custodian from independent sources.

[iii] Pooled fixed income funds

Pooled fund units are valued based on their trading net asset values at the reporting date. Pooled fixed income funds are valued at year-end published market prices.

Transaction costs are expensed as incurred.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

2. Significant accounting policies, continued

(c) Revenue recognition

Contributions are recognized on an accrual basis in the accounts on the basis of hours as reported by the contributing employers.

Investment income is recorded when earned.

Realized investment income

Realized investment income consists of distributions from the pooled funds and the net gain (loss) on sale of securities. Distributions from pooled funds are recognized in the period the distributions are made. Gain (loss) on sale of securities is recognized using settlement date accounting.

Unrealized investment income

The Plan records unrealized investment income as the change in the difference between the fair value and carrying value of investments.

(d) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include reserve for unpaid claims, reserve for future benefits, and reciprocity payments or payments collected from participating employers for other entities or funds. Actual results could differ from those estimates.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

2. Significant accounting policies, continued

(e) Financial instruments

Investments classified as financial instruments require disclosure on the inputs to fair value measurements, including their classification within a three level hierarchy, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- quoted prices [unadjusted] in active markets for identical assets or liabilities [Level 1];
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices] [Level 2]; and
- inputs for the asset or liability that are not based on observable market data [unobservable inputs] [Level 3].

3. Investments

	2017	2016
CC&L Short Term Bond Fund (Cost - \$9,753,399; 2016 - \$9,230,892)	\$ 9,484,466	\$ 9,205,497
CC&L Group Balanced Plus Fund II (Cost - \$4,182,292; 2016 - \$4,244,857)	4,089,512	3,992,983
	<u>\$ 13,573,978</u>	<u>\$ 13,198,480</u>

The CC&L investments are classified as level 2 financial instruments relating to fair value measurements.

There were no transfers of investments between levels 1, 2, or 3 during 2016 or 2017.

4. Funds on deposit

As at June 30, 2017 Green Shield Canada held \$771,500 (2016 - \$539,800) in deposits to fund extended health benefits, vision and dental claims. These deposits are non-interest bearing but fully accountable to the Fund.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

5. Rate stabilization fund

The Fund was required by the Co-operators Life Insurance Company ("Co-operators") to establish a Rate Stabilization Fund ("RSF"). Accumulation of the RSF reserve will be based on the surplus or deficit declared for each accounting period for insured benefits managed by the Co-operators. Annual financial surplus on the group policy will be accounted for as an increase to the RSF. Deficiencies in the RSF reserve will be recovered by Co-operators as a charge against future plan experience. Subject to cumulative financial deficits from prior years not yet recovered through the RSF, all excess funds held in RSF can be withdrawn by the Fund. As at June 30, 2017, the RSF had a deficit balance of \$682,378 (2016 - surplus of \$171,611).

6. Accounts payable and accrued expenses

Included in accounts payable are amounts owing to Carpentry Workers' Pension Plan of B.C. ("CWPP") of \$259,154 (2016 - Information unavailable). The Fund and CWPP are related by way of common membership and Trustees.

7. Reserve for unpaid claims

A provision has been set aside for unpaid self-insured dental, extended health, vision care, weekly indemnity and other claims incurred but not reported. The amount of the reserve is estimated based on historical claims experience as follows: Dental 4% (2016 - 15%), Extended Health 6% (2016 - 30%), Vision 20% (2016 - 30%), Short Term Disability 30% (2016 - 25%).

8. Reserve for future benefits

Reserve for future benefits is based on actuarial calculations on the estimated cost of providing future benefits at June 30, 2017 and the hours banked at that date. The Fund allows for members to carry forward hours worked in a month in excess of the required hours in order to be eligible for health and welfare benefits. The hours banked can be used for a future month when the member did not work the required hours to be eligible for benefits.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

9. Capital management

The Fund's capital is comprised of its net assets available for benefits.

The Fund's objective for managing capital is to ensure that the assets of the Fund, together with the expected contributions made by employers, are invested in a prudent and effective manner to meet the future obligations of the Fund.

Under the provisions of the Fund, the Fund's Trustees are the legal Administrators of the Fund. The Trustees will, at their sole discretion, invest and reinvest the principal and income of the Fund in a manner that a reasonable and prudent person would apply in respect of a portfolio of investments made on behalf of another person to whom there is owed a fiduciary duty to make investments without undue risk of loss and with reasonable expectation of a return on the investments commensurate with the risk. The Trustees may invest in any investments inside and outside of Canada which the Trustees deem advisable, including without restricting the generality of the foregoing, investments in mutual funds, common trust funds and pooled funds.

10. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Fund is a going concern and thus expects to fully repay the outstanding amounts.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is not exposed to foreign exchange risk as at June 30, 2017 as all financial instruments are denominated in Canadian dollar.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

10. Financial instruments, continued

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market.

The Fund's investments in publicly traded securities expose the Fund to market risk since these equity investments are subject to price fluctuations in the open market. At June 30, 2017, a 10% change in equity prices would result in a corresponding impact of approximately \$400,000 (2016 - \$400,000) on investment income.

Credit risk

The Fund does have credit risk in contributions receivable of \$739,781 (2016 - \$1,576,359). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund reduces its exposure to credit risk by performing credit valuations on a regular basis and creating an allowance for bad debts when applicable. The Fund maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Fund is low and is not significant.

Liquidity risk

Liquidity risk is the risk the company may not be able to meet its obligations. The Fund has a comprehensive plan in place to meet their obligations as they come due which is primarily from cash flow from operations.

Interest rate risk

Fluctuations in interest rates have a direct impact on the market valuation of the Fund's fixed income portfolio and on investment income. During periods of declining interest rates, the market values on fixed income securities appreciate, resulting in a positive impact to investment income. As at June 30, 2017, a 1% change in interest rates would result in a corresponding impact of approximately \$90,000 (2016 - \$90,000) on income relating to fixed income investments.

The carrying values reported in the statement of financial position for cash and cash equivalents, receivables, funds on deposit and accounts payable and accrued liabilities approximate their fair values due to their short term nature. The fair values of these financial instruments are not significantly impacted by fluctuations in interest rates.